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C O N F I D E N T I A L SECTION 01 OF 02 KINSHASA 000434

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TREASURY FOR OWHYCHE-SHAW

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TAGS: [EFIN](#) [ECON](#) [PGOV](#) [CG](#)

SUBJECT: DRC FINANCE MINISTER ADMITS ECONOMIC SITUATION
"NOT GOOD"

REF: KINSHASA 327

Classified By: Econcouns Greg Groth for reasons 1.4 b and d

¶1. (C) Summary. The new Minister of Finance said that the DRC economy is "not good" but was optimistic that the situation could be turned around by the new government. He cited hopeful signs regarding increased GDRC revenues and blamed overspending on the defense and security sectors. The minister was surprised to learn that the number of GDRC officials requesting visas to travel to the U.S. for the World Bank spring meetings was more than double than he had thought, and promised to look into the issue. He agreed in principle to informal meetings beginning in April with other EcoFin ministers and a small group of donor country ambassadors. End summary.

¶2. (C) Ambassador and EconCouns met with new Minister of Finance Athanase Matenda on April 5. Mathenda admitted upfront that the economic situation in the DRC is "not good," but blamed the 2006 deficit and that of January and February (reftel) on the elections and "weak management" during the transition. He was optimistic, however, that this situation could be turned around, noting that a FC 25 billion (USD 50 million) GDRC surplus in March would offset the deficit rung up in January and February. Matenda described his recent national tour, during which he visited some of the more important state revenue collection points. He noted that many of these agencies were operating under difficult circumstances, but that some of them had already begun posting record collection levels since the beginning of 2007. Matenda acknowledged that the recent IMF visit had left the DRC with three important immediate goals: achieving the macroeconomic targets, putting an end to Central Bank (BCC) financing of the budget, and further improving revenue collections, particularly at border posts and entry points. He predicted the 2007 budget would be prepared for presentation to Parliament by end April, and would be adopted by end May.

¶3. (C) Ambassador agreed that 2006 had been a difficult year, noting the large deficits run up by GDRC overspending and the loss of outside budget assistance following the lapse of the IMF Poverty Reduction and Growth Facility (PRGF) program. He said that GDRC deficit spending and BCC financing had a nearly immediate effect on the exchange rate, which had risen sharply during the first quarter of 2007. He expressed concern that a similar pattern of GDRC overspending and BCC financing might develop again this year, especially if outside budget assistance was reduced as in 2006. The

Ambassador observed that despite an apparent GDRC budget crisis, there appeared to be little signs of a crisis reaction by the government. As an example of the more visible areas of past abuse, the Ambassador noted the Embassy had already received more than 20 applications for new visas for travel to the World Bank spring meeting, despite an initial Ministry of Finance list of only around a dozen.

14. (C) Matenda initially downplayed the importance of the DRC delegation size, saying that perhaps this was because of the many side meetings that would be held involving issues such as debt (with OGEDEP, the DRC debt agency) and World Bank contracts (with BCECO, one of the DRC contracting agencies for World Bank project funding). He added that official travel was not what caused the deficits, but rather blamed it on bloated defense and security spending, mentioning FARDC fuel purchases as an example. When it was pointed out that other ministry and BCC officials, not included on the Ministry of Finance list, had come in with official mission orders requesting visas, he became concerned and said he would look into the situation. He seemed surprised that, despite being the head of the GDRC delegation, other official mission orders had been issued by the Ministry of Foreign Affairs, the Prime Minister's office, and the Central Bank. Matenda asked whether in future he could provide a list of delegation members and request that anyone on the list not be granted visas on the basis of official GDRC travel. The Ambassador indicated that the Embassy would be happy to accommodate such procedures as the GDRC may decide. He observed, however, that generally this problem was not just the funds expended for this delegation, but rather the message the GDRC was communicating of budget and operational "business as usual." Given a critical budget gap, the GDRC

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should be ensuring all available funds are used for the highest priority needs. The Washington meeting did not appear to be one.

15. (C) The Ambassador proposed, and Matenda accepted in principle, that they meet informally later in April as part of a small group including the Ministers of Budget and Plan, the Central Bank Governor, and a select number of other donor country ambassadors, to discuss the DRC's economic and financial situation.

16. (C) Comment: While Matenda and other key GDRC ministers responsible for the state budget appear to be well qualified for their jobs, there is a curious air of complacency in light of a potentially very serious budget shortfall for this year. Matenda and his fellow Ministers have firmly pressed donors on the need for greater foreign assistance, but are showing few signs yet of being willing or able to take the kind of hard decisions needed for the government to get control of its budget. The government needs to convey a clear sign to donors, and most of all to the Congolese people, that the new elected government is focusing intensively on delivering results to address the host of pressing needs, reflecting a change in attitude and performance from the past. Thus far, that is not the case, and we and other donors need to continue to stress to Congolese officials that stronger and more urgent GDRC action is required to demonstrate a commitment to address the serious budget problems it faces, and the high expectations of the country's population. End comment.

17. (SBU) Biodata. Athanase Matenda Kyelu was born in Kalima, Maniema in 1953. He entered the University of Kinshasa in 1974, receiving his degree in Economics in 1979. He began work at the National Association of Zairian Businesses (now the Congolese Business Federation, FEC) and worked there for 24 years, becoming director before leaving in 2003. He participated in the Sun City talks and afterwards became a member of the Transitional Parliament in 2004. In late 2004 he was named Minister of Public Works in the Transitional Government, a position he held for almost three years. He

was elected to the National Assembly in 2006 as a representative from Maniema before being named Minister of Finance in February 2007. Matenda is married, the father of six children, two of whom are at the University of Illinois.

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